

**ENDOWMENT FUND INVESTMENT BOARD**  
**MINUTES OF THE REGULAR MEETING**

January 23, 2003

**Members Present:**

Dr. Nick Hallett, Chairman  
Dean Buffington  
Representative William W. Deal  
Gavin Gee  
Thomas F. Kealey  
William D. Mitchell  
John Taylor  
Parker G. Woodall

**Member(s) Absent:**

Senator Dean L. Cameron

**Staff Present:**

Matthew J. Haertzen, CFA  
Jennifer Outram-Dobler  
Connie Eshelman  
Andrew Potter  
Mary Livengood

**Guests:**

**PERSI**

Bob Maynard  
Richelle Sugiyama

**Controller's Office**

Steve Allison  
Dan Goicoechochea

**Claremont Partners**

Ted Kunz

Chairman Nick Hallett called the meeting to order at 1:35 PM and recognized that a quorum was present. Mr. Hallett and the board gave Bob Maynard and Richelle Sugiyama of PERSI a round of applause and expressed the Board's thanks for Mr. Maynard's and Ms. Sugiyama's efforts in helping out in the absence of a Manager of Investments during the last six months.

**APPROVAL OF MINUTES**

Motion by Mr. Woodall, second by Rep Deal to accept the minutes of the November 20, 2002, meeting as presented. The motion carried unanimously.

Motion by Mr. Woodall, second by Mr. Gee to enter into executive session to discuss personnel issues according to *Idaho Code §67-2345 (1) (a)* and/or legal matters according to *Idaho Code §67-2345 (1) (f)*. Roll call was as follows:

Mr. Buffington	Aye	Mr. Gee	Aye
Rep. Deal	Aye	Chairman Hallett	Aye
Mr. Kealey	Aye	Mr. Mitchell	Aye
Mr. Taylor	Aye	Mr. Woodall	Aye

The motion carried unanimously.

The meeting resolved back into session, and Chairman Hallett called for committee reports.

### **Audit Committee Report - Parker Woodall**

Mr. Woodall reported that the committee has reviewed several items including bidding the fiscal year 2004 audit. The committee recommends that Deloitte & Touche, LLP's offer of \$45,500 be accepted for fiscal year 2003 in accordance with their engagement letter. This one-time contract extension was approved by the Division of Purchasing. Last year's audit was bid at \$37,000, but an additional \$12,000 was spent on resolving problems reconciling figures provided by the Department of Lands, the Treasurer's Office, the State Controller's Office, and the figures the Senior Financial Specialist provided. Motion by Mr. Woodall, second by Mr. Mitchell to accept Deloitte & Touche, LLP's bid of \$45,500 for the fiscal year 2003 audit. The motion carried unanimously. Deloitte & Touche, LLP's proposal for the Capitol Permanent Fund audit is \$4,700. Motion by Mr. Woodall, second by Mr. Taylor to recommend to the Capitol Building Committee that they accept the Deloitte & Touche audit bid. The motion carried unanimously. Mr. Woodall commented that the committee is working on a bid proposal for fiscal year 2004.

### **Bond Committee - Dean Buffington**

Mr. Buffington noted that the primary purpose of the most recent meeting was to keep the committee informed on fixed income issues after the reallocation of funds at the end of November and to review performance against the new benchmark. The Bond Committee is satisfied with staff activity in this regard and noted that Ms. Eshelman has prepared charts showing bond activity for the board.

Ms. Eshelman explained her charts. The fixed income is still short on duration versus the benchmark, but Ms. Eshelman is moving funds as opportunities arise.

Discussion was held concerning the duties of the consultant. Mr. Buffington feels some duties assigned to the consultant can now be done in-house with the new Manager and staff. Motion by Mr. Buffington, second by Mr. Gee to request that the Manager of Investments and staff redefine the scope of duties of the consultant and bring ideas to the next Board meeting for a Request for Proposal to issue a new contract. The motion carried unanimously.

### **Portfolio Structure - Matthew Haertzen**

Mr. Haertzen noted that two managers were terminated in the last six months. He explained where the equity portfolio is at present and commented that there are a number of issues to be resolved. Mr. Haertzen wants to consider hiring mid-cap managers as there are none in our portfolio at present. That will get us back into line with the benchmark. Another issue is the international manager. We need to change the benchmark to include international investments which are not included at present. Mr. Woodall asked if we need to hire a mid-cap manager. Mr. Haertzen said we need both a mid-cap growth and a mid-cap value manager, and he would like more funds invested in international funds—a total of between 15-20%. Mr. Haertzen has asked the consultant to consider our options to shift the portfolio to better match the benchmark.

It was suggested that the Board delegate hiring any new managers to the Executive Committee. Motion by Mr. Woodall, second by Mr. Buffington to delegate the authority to hire new managers to the Executive Committee. The motion carried unanimously.



### **Preliminary Performance Update - Matthew Haertzen**

Mr. Haertzen stated there needs to be more diversification between value and growth managers. The Endowment Funds underperformed PERSI for the last year. Mr. Haertzen also noted that the Consultant has concerns with the performance of Trainer Wortham and Nicholas|Applegate. They appear to have made some fundamental changes that could cause them to be changing their styles. Mr. Woodall expressed concerns about the performance of our equity managers versus their peer groups.

The next meeting is set for February 27, 2003, at the State Insurance Fund Building Basement Conference Room at 1:30 PM. The May meeting was set for Wednesday, May 21, 2003, at 9:00 AM. The place will be announced at the February meeting.

There being no further business, the meeting was adjourned at 2:35 PM.

- MOTION: That the minutes of the November 20, 2002, meeting be approved as written.
- MOTION: To enter into Executive Session for the purpose of discussing personnel and/or legal issues.
- MOTION: To accept the Deloitte & Touche, LLP bid of \$45,500 for the fiscal year 2003 audit.
- MOTION: To recommend to the Capitol Building Committee that they accept the Deloitte & Touche, LLP audit bid of \$4,700 for the fiscal year 2003 audit.
- MOTION: That the Manager of Investments and staff redefine the scope of duties of the consultant and bring ideas to the next Board meeting for a Request for Proposal to issue a new contract.
- MOTION: That the board delegate the authority to hire new managers to the Executive Committee.